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A Professional Corporation

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AZ CORP COMMISSION
DOCUMENT CONTROL

March 13, 2003

Via Federal Express

Docket Control
Arizona Corporation Commission
1200 West Washington Street
Phoenix, AZ 85007

Re: The Phone Company Management Group, LLC
Docket Nos. T-03889A-02-0796 and T-04125A-02-0796

Dear Sir or Madam:

This letter is to advise you that The Phone Company Management Group, LLC, an Arizona limited liability company ("PCMG"), and USURF America, Inc., a Nevada corporation ("UAX"), have entered into an agreement for PCMG to sell all of its assets to UAX in exchange for the consideration described in Exhibit B to the Asset Purchase Agreement ("Agreement"). PCMG's transfer of assets to UAX is subject to the approval of the Arizona Corporation Commission ("ACC"). PCMG filed an application for ACC approval of the transaction on March 11, 2003.

Under the terms of the Agreement, assets UAX will acquire from PCMG will be administered on UAX's behalf pursuant to an agency agreement between DMJ Communications, Inc. ("DMJ"), a licensed CLEC in the state of Arizona, and UAX. This Agreement is described in the application filed by PCMG with the Commission on March 11, 2003.

For the convenience of the ACC, I am enclosing a copy of the Agreement between PCMG and UAX. I am also enclosing 13 copies of this letter for filing in the above-referenced docket.

Should further information be needed from PCMG in connection with this matter, kindly communicate with the undersigned.

Very truly yours,

Michael L. Glaser

MLG:clb
Enclosure

Docket Control
Arizona Corporation Commission
March 13, 2003
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cc w/encl: The Honorable Philip J. Dion III
 Maureen Scott, Esq.
 Christopher Kempley, Chief Counsel
 Lyn Farmer, Chief Hearing Officer
 Ernest Johnson, Director
 Mark Brown, Esq.
 Jeff Crockett, Esq.
 Timothy Berg, Esq.
 Tim Wetherald

ASSET PURCHASE AGREEMENT

This Asset Purchase Agreement is entered into by and between The Phone Company Management Group, LLC, an Arizona limited liability company ("Phone Company") and USURF America, Inc., a Nevada corporation ("UAX"), in light of the following facts:

WHEREAS, Phone Company owns certain assets, free and clear of any liens or encumbrances, as more fully described and set forth in Exhibit "A" attached hereto and incorporated herein by this reference (the "Assets"); and

WHEREAS, Phone Company desires to sell all of the Assets to UAX in exchange for the consideration described in this Agreement;

WITNESSETH:

THEREFORE, the agreement of the parties, the promises of each being consideration for the promises of the other:

I. DEFINITIONS

Whenever used in this Agreement, the following terms shall have the meanings set forth below:

- (a) "Agreement" shall mean this Asset Purchase Agreement and all exhibits hereto or amendments hereof.
- (b) "UAX" shall mean USURF America, Inc., a Nevada corporation
- (c) "Phone Company" shall mean The Phone Company Management Group, LLC, an Arizona limited liability company.
- (d) "Knowledge of Phone Company" or matters "known to Phone Company" shall mean matters actually known to the Members or officers of Phone Company, or which reasonably should be or should have been known by them upon reasonable investigation.
- (e) "Securities Act" shall mean the Securities Act of 1933, as amended, and includes the rules and regulations of the Securities and Exchange Commission promulgated thereunder, as such shall then be in effect.
- (f) "Colorado Act" shall mean the Securities Act of Colorado, and includes the rules and regulations of the Colorado Securities Commission promulgated thereunder, as such shall then be in effect.

Any term used herein to which a special meaning has been ascribed shall be construed in accordance with either (i) the context in which such term is used, or (ii) the definition provided for such term in the place in this Agreement at which such term is first used.

II. PURCHASE AND SALE

- (a) Subject to all of the terms and conditions set forth herein, Phone Company hereby sells to UAX and UAX hereby buys from Phone Company the Assets, for the consideration set forth in Exhibit "B" attached hereto and incorporated herein by this reference (the "Consideration").
- (b) UAX does not assume, and shall not be responsible for, the payment, performance or discharge of any liabilities or obligations of Phone Company, whether existing at the date of the Exchange or arising thereafter.

III. THE EXCHANGE

(a) Phone Company agrees to deliver to UAX a Bill of Sale in favor of UAX, or its assign, reflecting the transfer of the Assets. Upon delivery of such Bill of Sale by Phone Company, UAX shall deliver to Phone Company the Consideration. The deliveries described in the foregoing sentences shall be referred to herein as the "Exchange." The Exchange shall take place in the office of Phone Company on the 7th day of March, 2003.

(b) After the Exchange, the Parties shall execute and deliver such additional documents and take such additional actions as may reasonably be deemed necessary or advisable by any party to consummate the transaction contemplated by this Agreement and to vest more fully in UAX or its assign the ownership of the Assets transferred and conveyed, or intended to be conveyed, pursuant to this Agreement.

IV. REPRESENTATIONS AND WARRANTIES OF PHONE COMPANY

Phone Company represents and warrants to UAX:

(a) Organization and Corporate Authority. Phone Company is a limited liability company duly organized, validly existing and in good standing under the laws of the State of Arizona. Phone Company has all requisite corporate power and authority, governmental permits, consents, authorizations, registrations, licenses and memberships necessary to own its property and to carry on its business in the places where such properties are now owned and operated or such business is being conducted.

(b) Status of Assets. At the time of the Exchange (as that term is defined herein), Phone Company will own the Assets (Exhibit "A") free and clear of any encumbrances.

(c) Compliance with Agreements. The execution and performance of this Agreement will not result in any violation of, or be in conflict with, any agreement to which Phone Company is a party.

(d) Authorization. All corporate action on the part of Phone Company and its officers, directors and interest holders necessary for the authorization, execution and delivery of this Agreement, for the performance of Phone Company's obligations hereunder and for the delivery of the Bill of Sale has been taken. This Agreement, when executed and delivered, shall constitute a legal, valid and binding obligation of Phone Company.

(e) Investment Intent of Phone Company. Phone Company represents and warrants that the shares of UAX common stock acquired hereunder by Phone Company will be held by it solely for its own account for investment purposes only and not for the account of any other person and not for distribution, assignment or resale to others.

(f) Review of Public Information. Phone Company hereby represents and warrants that it has received and reviewed (1) UAX's last-filed Annual Report on Form 10-KSB, as filed with the Securities and Exchange Commission ("SEC"), (2) UAX's Quarterly Reports on Form 10-QSB, as filed with the SEC, and (3) UAX's Current Reports on Form 8-K, as amended and as filed with the SEC. With respect to such information, Phone Company further represents and warrants that it has had an opportunity to ask questions of, and to receive answers from, the officers of USURF and UAX.

(g) Restrictive Legend. Phone Company further consents to the placement of the following legend, or a legend similar thereto, on the certificate or certificates representing shares of UAX common stock deliverable hereunder:

"THESE SECURITIES HAVE BEEN ISSUED IN RELIANCE UPON THE EXEMPTION FROM REGISTRATION AFFORDED BY SECTION 4(2) OF THE SECURITIES ACT OF 1933, AS AMENDED, AND MAY NOT BE TRANSFERRED WITHOUT AN OPINION OF COUNSEL SATISFACTORY TO THE CORPORATION TO THE EFFECT THAT ANY SUCH PROPOSED TRANSFER IS IN ACCORDANCE WITH ALL APPLICABLE LAWS, RULES AND REGULATIONS."

(h) **Accuracy of Information.** No representation or warranty by Phone Company in, pursuant to, or in contemplation of this Agreement contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements herein, in light of the circumstances under which they were made, not false or misleading. To the knowledge of Phone Company, Phone Company has disclosed to UAX all facts known to it that are material to the Assets transferred and conveyed pursuant to this Agreement.

V. REPRESENTATIONS AND WARRANTIES OF UAX

UAX represents and warrants to Phone Company:

(a) **Organization and Corporate Authority.** UAX is a corporation duly organized, validly existing and in good standing under the laws of the State of Nevada. UAX has all requisite corporate power and authority, governmental permits, consents, authorizations, registrations, licenses and memberships necessary to own its property and to carry on its business in the places where such properties are now owned and operated or such business is being conducted.

(b) **Issuance of the Common Stock.** The shares of \$.0001 par value common stock of UAX to be issued hereunder, when issued and delivered in accordance with this Agreement, will be duly and validly issued, fully paid and non-assessable, and will be free and clear of any liens or encumbrances and, to the knowledge of UAX, will be issued in compliance with applicable state and federal laws.

(c) **Compliance with Agreements.** The execution and performance of this Agreement will not result in any violation or be in conflict with any agreement to which UAX is a party.

(d) **Authorization.** All corporate action on the part of UAX and its officers, directors and shareholders necessary for the authorization, execution and delivery of this Agreement, for the performance of UAX's obligations hereunder and for the issuance and delivery of the \$.0001 par value common stock of UAX has been taken. This Agreement, when executed and delivered, shall constitute a legal, valid and binding obligation of UAX.

(e) **Legality of Share Issuance.** UAX warrants that the common stock to be issued to Phone Company hereunder will be legally issued without registration under the Securities Act or the Colorado Act pursuant to applicable exemptions from registration thereunder.

(f) **Assignment of Assets.** UAX represents and warrants that the Assets will, immediately upon consummation of the transactions contemplated herein, assign all of the Assets to a competitive local exchange carrier ("CLEC") duly licensed as such in the State of Arizona. Specifically, UAX represents and warrants that the Assets will be administered on its behalf, pursuant to a existing agency agreement, by DMJ Communications, Inc., a licensed CLEC in the State of Arizona.

VI. INDEMNIFICATION

Phone Company shall indemnify, defend and hold UAX, and each of its officers, directors, affiliates, employees, agents and shareholders, harmless from and against any and all losses, liabilities, damages, costs and expenses resulting from or arising out of or in connection with:

(a) any misrepresentation or breach by Phone Company of any warranty or covenant contained in this Agreement or any other document executed, delivered or furnished by Phone Company in connection herewith;

(b) income, franchise, sales, use or other taxes, including any penalties or interest with respect thereto, of or relating to the Assets prior to the date of the Exchange; and

(c) liabilities and obligations related to the Assets and arising before the date of the Exchange.

VII. MISCELLANEOUS

(a) Notices. All notices hereunder shall be in writing and addressed to the party at the address herein set forth, or at such other address as to which notice pursuant to this section may be given, and shall be given by personal delivery, by certified mail (return receipt requested), Express Mail or by national or international overnight courier. Notices will be deemed given upon the earlier of actual receipt or three (3) business days after being mailed or delivered to such courier service. Notices shall be addressed as follows:

to Phone Company at:

The Phone Company Management Group, LLC
3025 S Parker Rd.
Suite 1000
Aurora, Colorado 80014

to UAX at:

USURF America, Inc.
Attention: Douglas O. McKinnon
6005 Delmonico, Suite 140
Colorado Springs, Colorado 80919

with a copy to:

Newlan & Newlan, Attorneys at Law
819 Office Park Circle
Lewisville, Texas 75057

(b) Survival of Covenants. All covenants, agreements, representations and warranties of the parties made in this Agreement and in the financial statements or other written information delivered or furnished in connection therewith and herewith shall survive the Exchange hereunder, and shall be binding upon, and inure to the benefit of, the parties and their respective successors and assigns.

(c) Further Assurances. Each party shall do and perform, or cause to be done and performed, all such further acts and things, and shall execute and deliver all such other agreements, certificates, instruments and documents, as the other party may reasonably request in order to carry out the intent and accomplish the purposes of this Agreement and the consummation of the transactions contemplated hereby.

(d) Arbitration. The parties agree that any dispute arising between or among them related to this Agreement or the performance hereof shall be submitted for resolution to the American Arbitration Association for arbitration in the Denver, Colorado, office of the Association under the then-current rules of commercial arbitration. The Arbitrator or Arbitrators shall have the authority to award to the prevailing party its reasonable costs and attorneys fees. Any award of the Arbitrators may be entered as a judgment in any court competent jurisdiction.

(e) Governing Law. This Agreement shall be deemed to be a contract made under, governed by and construed in accordance with the substantive laws of the State of Colorado.

(f) Counterparts. This Agreement may be executed simultaneously in counterparts, each of which when so executed and delivered shall be taken to be an original; but such counterparts shall together constitute but one and the same document.

(g) Successors and Assigns. Except as otherwise expressly provided herein, the provisions hereof shall inure to the benefit of, and be binding upon, the successors or assigns of the parties hereto.

(h) Entire Agreement. This Agreement constitutes the full and entire understanding and agreement between the parties with regard to the subject matter hereof.

IN WITNESS WHEREOF, the parties have signed this Agreement as of the date written below.

THE PHONE COMPANY MANAGEMENT GROUP, LLC
(an Arizona limited liability company)

By: 

Name: Tim W. Chandler

Title: Manager

DATE: MARCH 7, 2003

USURF AMERICA, INC.
(a Nevada corporation)

By: 

Douglas O. McKinnon
President and CEO

DATE: MARCH 7, 2003

EXHIBIT "A"

LIST OF ASSETS

Assets of Phone Company

The Assets to be acquired by UAX from Phone Company are:

1. The customers listed in Annex A-I to this Exhibit "A".
2. The accounts and account balances related to the customers listed in Annex A-I to this Exhibit "A".

EXHIBIT "B"

DESCRIPTION OF CONSIDERATION

Consideration to be Paid to Phone Company

In consideration of the Assets, UAX agrees to pay the consideration described in Annex B-1 to this Exhibit "B".

With respect to all of the shares of common stock of UAX that may be issued to Phone Company, UAX agrees that all such shares shall be included in the registration statement next filed by UAX under the Securities Act of 1933, as amended, except that such shares shall not be entitled to be included in a registration statement that relates to shares of UAX to be sold to Fusion Capital Fund II, LLC. UAX agrees that it shall bear the costs associated with the registration of Phone Company's shares, but UAX shall not be responsible for the payment of any transfer fees and broker fees or commissions incurred by Phone Company.

Phone Company specifically agrees that it shall not, in any calendar month, sell a number of shares of UAX common stock that exceeds one-twelfth (1/12) of the total number of shares issued to it by UAX.

ANNEX B-1

UAX will pay Phone Company \$200.00 per acquired customer that remains as a paying customer of UAX on the date that is 90 days after the execution of the Asset Purchase Agreement (the "Agreement"), to which this Annex B-1 relates, as follows:

1. Cash in the amount of \$154.00, payable in 24 monthly installments of \$7.00 (the "Royalty") commencing on a date 90 days from the date hereof; and
2. A number of shares of UAX common stock that has a value of \$46.00, based on the closing price of UAX common stock, as reported by the American Stock Exchange, on the trading day that immediately precedes the 90th day following the execution of the Agreement. By way of example only, should the closing price of UAX common stock be \$.10 per share, then UAX would issue to Phone Company a total of 460 shares per customer [$\$46.00 \div \$.10 = 460$].

It agreed by UAX and Phone Company that UAX's duty to pay the Royalty with respect to any customer shall continue only for so long as any such customer shall remain a paying customer of UAX, up to a maximum of 24 months, and shall be payable out of collected cash only. Phone Company agrees that, on the date that is 90 days after the execution of the Agreement, USURF shall be entitled to prepay, in whole or in part, the future Royalty with respect any or all of the acquired customers by the issuance of shares of its common stock (on a per share value as set forth in paragraph 2 above), in its sole discretion.

It is further agreed by UAX and Phone Company that the consideration paid per customer shall be subject to adjustment to reflect the results of an independent fair market valuation of the acquired customers. Notwithstanding the foregoing, the parties agree that the per customer valuation will be no less than \$200 per customer. The adjustment in the valuation of the acquired customers, if any, shall be implemented on the date that is 90 days after the execution of the Agreement.

During the period of transition of the acquired customers' accounts, Phone Company agrees that it shall continue to provide Internet and long-distance service to such acquired customers at the expense of UAX. UAX agrees that it shall promptly and completely compensate Phone Company for providing such services to the acquired customers.

The accounts receivable associated with the acquired customers are considered to be an integral part of the customer base and of the fair market value of the customer base. UAX and Phone Company agree that UAX will pay to Phone Company 30% of cash receipts as received for a period of 90 days from the date hereof..